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AICPA *Washington Report*

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AGRICULTURE, DEPARTMENT OF

Final amendments revising the community facility loan regulations to broaden the benefits of the program were published in the 5/13/77 Fed. Reg., pp. 24232-52. The regulations require borrowers to maintain their accounting records on the accrual basis unless exempted, and call for audits in accordance with GAAS by CPAs following the Farmers Home Administration audit guide. Although made effective 5/13/77, additional comments may be filed until 6/13/77.

COMMERCE, DEPARTMENT OF

State allocations for local public works jobs projects to implement the increased public works jobs authorization in P.L. 95-28 were announced last week. The first grants are expected to be made in mid-June and Commerce Secretary Kreps said that the new \$4 billion is being incorporated with the original \$2 billion distributed last December for a total \$6 billion package of allocations. The original allocation rules are being altered so that unemployment, plus some consideration for energy effectiveness, is the sole consideration for the size of grants to be determined by the Economic Development Administration.

COMMODITY FUTURES TRADING COMMISSION

Proposed minimum financial requirements for futures commission merchants (FCMs) have been approved by the Commission for publication. The proposals are the second of a 4-part rulemaking activity, the first being proposals announced last October requiring audited financial reports from FCMs. Two additional proposals, which are expected to be announced within the next few weeks, will provide an improved early warning system, and will permit the responsibility for monitoring an FCM's financial status to be delegated to a single contract market or other self-regulatory organization. Written comments are due by 11/1/77, and public hearings will be announced some time this summer.

COST ACCOUNTING STANDARDS BOARD

A restatement of the Board objectives, policies and concepts has been published (see 5/19/77 Fed. Reg., pp. 25751-55). The purpose of the publication, which is a revision of that originally issued in March 1973, is to make known the current views of the Board with respect to the costs and benefits of Standards. In anticipation of future revisions, the Board invites comments so that interested members of the public should, on the basis of this statement, be better able to focus on the issues which the Board faces in promulgating Standards.

COUNCIL ON WAGE AND PRICE STABILITY

Legislation has been introduced to extend the life of the Council to 9/30/79 as well as to increase its strength. The bill (S.1542), introduced by Sen. Proxmire (D-WI), would clarify the Council's authorization to collect data on "inventories, shipments, orders" and other business operations. In addition, it would clarify requirements for the confidential treatment of information voluntarily supplied to the Council. The House Banking Committee recently approved legislation to extend the Council's life for two years and to raise its funding, but without any change to its powers.

ELECTRONIC FUND TRANSFERS COMMISSION

The Commission is examining competition in the EFT suppliers market. Comments are solicited on a discussion paper and trial recommendations which were published in

the 5/19/77 Fed. Reg., pp. 25776-80. Among the questions on which comments are requested are those relating to the cost and availability of EFT services to small businesses, and the sharing of EFT systems between or among financial institutions. Comments should be filed by 6/20/77, and additional information may be obtained by calling 202/634-1823.

ENVIRONMENTAL PROTECTION AGENCY

Interim regulations implementing recent revisions to the Federal Water Pollution Control Act concerning loan guarantees for construction of treatment works were published in the 5/18/77 Fed. Reg., pp. 25666-68. The regulations cover application requirements and criteria for municipalities to apply for a loan guarantee from EPA for a loan from the Federal Financing Bank to finance the local share of grant-funded wastewater treatment works. The regulations require borrowers to maintain books and records available for inspection by EPA or the Comptroller General.

FEDERAL DEPOSIT INSURANCE CORPORATION

Chairman Robert E. Barnett has announced his resignation effective 6/1/77. Mr. Barnett, who served as Deputy to the Chairman prior to his appointment to the Board in 1976, has been with the Corporation since 1970. It is expected that Board member George LeMaistre will be moved up to Chairman.

FEDERAL ENERGY ADMINISTRATION

Stanley Sporkin, Director of Enforcement for the SEC, has been named to head an interagency task force to evaluate FEA's oil price control and allocation programs. According to Sporkin, the study, which was instigated by Congressional criticism of the Administration's enforcement of the regulations, is being done to see whether the system is working effectively. The task force is expected to issue a report in 60 days and will include a review of FEA's method of auditing major oil and gas companies.

The Senate passed the bill to create a Department of Energy by a vote of 74-10 last Wednesday. The legislation (S.826) would consolidate the various agencies and programs now in existence into a single Cabinet-level department, thus absorbing the FEA, ERDA, FPC and parts of the Interior Department. Among the provisions of the bill are strict rules for financial disclosure and mandatory divestiture of energy-related assets by top employees of the Department and a requirement that the President prepare a national energy plan to be updated every 2 years. The House is expected to vote on their proposal (HR 6804) early next month.

FEDERAL MARITIME COMMISSION

Comments on the capitalization of the cost of funds used during vessel construction have been requested in an advance notice of proposed rulemaking (see 5/17/77 Fed. Reg., pp. 25353-54). In response to a request for rulemaking, the Commission seeks to develop additional information on this subject and the notice contains a series of questions on which specific comments are requested. Comments are due by 6/17/77.

FEDERAL TRADE COMMISSION

Comments are requested on ways to improve the line-of-business reporting program. Eleven topics on which the FTC staff seeks advice for preparing the LB form for 1977 have been announced. The topics include the consistency of the program and

the FASB Statement No. 14 definition concerning disclosures; the relation between lines of business reported to the FTC and industry segments reported publicly under FASB Statement 14; reporting of six additional items, including data on capital expenditures; and vertical integration and allocation procedure guidelines. Comments are to be submitted by 6/20/77. Additional information may be obtained by calling 202/523-3598.

GENERAL ACCOUNTING OFFICE

"Procurement Practices of Cities Using Federal Grant Funds", a report on the questionnaire survey of local government procurement practices, has been issued. The purpose of this study, and additional follow-up studies to be conducted, is to encourage the development of a more efficient purchasing program among state and local governments. Copies of the report are available from the GAO Reports Department (PSAD-77-88) by calling 202/275-6241.

HEALTH, EDUCATION, AND WELFARE, DEPARTMENT OF

In response to a memorandum from the President calling for corrections of abuse in the system of contracting out, Secretary Califano announced last Wednesday revisions in procurement policies and procedures designed to eliminate waste, abuse and mismanagement. In a staff memorandum, Secretary Califano stated that a recent review by GAO and HEW of past procurement activities revealed deficiencies which included the failure to adhere to procedures required to protect the government's interest in competitive procurement; the failure to insure that grants and contracts are performed; subjectivity in the award of discretionary grants; and inadequate price and cost analysis. His memorandum included a number of changes to correct these practices including extensive procurement training of program officials, simplifying and making uniform the various contract and grant regulations, and refusing to pay contractors who fail to meet reporting requirements. Copies of the Secretary's memorandum may be obtained from the Public Information Office, 202/245-6343.

Hearings have been scheduled for 6/7 through 6/10/77 by the Senate Finance Subcommittee on Health on Medicare/Medicaid reform legislation (S.1470). The hearings will be held in Room 2221 of the Dirksen Senate Office Building beginning at 8:30 a.m. and will focus on the various administrative and reimbursement reform provisions in the legislation introduced by Sen. Talmadge (D-GA). Requests to testify must be submitted by 5/27/77, and written statements are due by 6/20/77.

NATIONAL CREDIT UNION ADMINISTRATION

The 1975 Annual Report of the NCUA and the Annual Report of the Administrator have been issued. The reports cover the operations of the Administration as well as program accomplishments in such areas as insurance, inspection and audit, research and statistics and regional developments. Copies of the reports may be obtained by calling 202/254-9814.

OFFICE OF MANAGEMENT AND BUDGET

A hearing on certain proposed report forms on U.S. direct investment abroad will be held 6/8/77 in Room 2010 of the New Executive Office Building, 726 Jackson Place, NW, Washington. The purpose of the hearing is to determine whether the forms are necessary for the proper performance of responsibilities of the Department of Commerce under the International Investment Survey Act of 1976. For additional information call 202/395-3211.

SECURITIES AND EXCHANGE COMMISSION

A proposal to coordinate certain disclosure requirements with the segment reporting rules in FASB Statement No. 14 has been issued (Rel. No. 33-5826, 5/10/77). The proposal would require the presentation of financial information relating to industry segments, domestic and foreign operations, and export sales in lieu of the line-of-business information presently required. Forms S-1, S-7, S-8, and S-10, and annual reports on Form 10-K, would all be affected by these proposals. The time for comment ends 8/10/77.

Final amendments to the public utility annual report Form U5S were announced in Rel. No. 35-20002. The amendments will require separate annual reports on Form 10-K in order to satisfy the investor disclosure requirements under the 1934 Securities Act.

TREASURY, DEPARTMENT OF

No penalties will be assessed on tax return preparers who use a rubber stamp for signatures on returns filed before 9/1/77 in lieu of actual signatures. The IRS announced last week that all prior penalty assessments will be rescinded and that any penalties already paid will be refunded. The reason given for the IRS action was that "late passage" of the Tax Reform Act of 1976 had "caused confusion among preparers concerning the new rules."

The IRS Commissioner's Advisory Group will meet 6/6 and 6/7/77 in Room 3313 of the IRS Building, 1111 Constitution Ave., NW, Washington. Commissioner Kurtz announced the appointment of 16 new members for the year 1977-78, including Arthur J. Dixon, CPA, vice chairman of the AICPA Federal Tax Division Executive Committee; Loudell O. Ellis, CPA, University of Alabama; Mary A. Mead, CPA, Seidman and Seidman; Thomas J. Barrow, CPA, President, National Association of Black Accountants; and Professor Stanley Surrey, Harvard Law School. For more information on the Group's meeting call 202/566-4071.

Final regulations on the valuation of a private foundation's noncharitable assets for purposes of calculating its minimum investment return have been announced. The regulations (T.D. 7486) modify Section 4942 of the Code which aids private foundations in computing how much they must contribute to charitable activities. The new regulations, however, do not reflect changes in the valuation principles applicable to tax years beginning after 1975. These changes, contained in the 1976 Tax Reform Act, will be included in future proposals.

Proposed regulations relating to limitations on percentage depletion in the case of oil and gas wells were announced in the 5/13/77 Fed. Reg., pp. 24279-89. The proposals, reflecting changes in the 1975 and 1976 TRAs, clarify the circumstances under which percentage depletion will be available in the case of oil and gas wells. Comments are due by 6/27/77.

An application form to be used to establish a taxpayer's inability to file an employee plan return because of circumstances beyond the taxpayer's control has been issued. Form 5558, "Application for Extension of Time to File Certain Employee Plan Returns," may be used by a sponsoring employer, plan administrator, disqualified person or their representative, to file the annual report forms (5500, 5500-C, or 5500-K) or Form 5330 to pay tax on excess contributions. A separate Form 5558 must be filed for each return for which an extension is requested, except that in the case of single employers with more than one plan one form may be used.

Following passage last Monday of the Tax Reduction and Simplification Act of 1977 (HR 3477), the President announced that he will sign the measure. The bill as passed includes an additional \$2.25 billion authorization of special revenue sharing (counter-cyclical) for states and localities with high unemployment.

It was also announced that work is progressing rapidly on the Administration's major tax reform package. A meeting was conducted by the President with his top tax and economic advisors following a speech to the United Auto Workers in which he stated that proposals will be announced "as early as possible this year". Although the Administration is reluctant to set a date, it is believed that the proposals could be issued as early as June or July.

Form 5713, International Boycott Report, is expected to be available at local IRS district offices about 6/1/77. Concurrent with release of the new form, the IRS announced an extension of the filing deadline to 7/15/77. One copy of the form is to be sent to the Philadelphia IRS Center and another attached to the taxpayer's return filed with the taxpayer's customary IRS Service Center. For additional information, call 202/566-204.

SPECIAL: ACIR ISSUES RECOMMENDATIONS ON GRANT CONSOLIDATIONS

The consolidation of grant programs and finer distinctions between grant types and conditions were recommended at a recent meeting of the Advisory Commission on Intergovernmental Relations (ACIR) to make grant programs more effective. The recommendations call for consolidation of programs on the basis of congruity or similarity of functional areas, program objectives and recipient jurisdictions, in order to reduce the fragmented approach which presently complicates grants administration. In addition, it was recommended that OMB establish and monitor a clearing-house for general grant requirements to reduce conflicts and duplication among requirements.

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